

# JFMIP NEWS

A Newsletter for Government Financial Managers

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## The AICPA Council Designates FASAB a "Rule 203" Body

On October 19th, the American Institute of Certified Public Accountants' (AICPA) Council designated the Federal Accounting Standards Advisory Board (FASAB) as the accounting standards-setting body for Federal government entities under Rule 203 of the AICPA's Code of Professional Conduct. Rule 203 provides, in part, that an AICPA member shall not (1) express an opinion or state affirmatively that the financial statements or other financial data of any entity are presented in conformity with generally accepted accounting principles (GAAP) or (2) state that he or she is not aware of any material modifications that should be made to such statements or data in order for them to be in conformity with GAAP, if such statements or data contain any departure from an accounting principle promulgated by bodies designated by the Council to establish such principles, that has a material effect on the statements or data taken as a whole.



*David Mosso,  
FASAB Chairman*

The AICPA Council designated the Financial Accounting Standards Board (FASB) as the standards-setter for the private sector in 1973 and the Governmental Accounting Standards Board (GASB) as the standards-setter for states and local governments in 1986. These are authoritative standard-setting bodies under Rule 203. Until the AICPA action, the Federal Government did not have a Rule 203 designated accounting standards-setter. With this designation, Federal Government reporting entities will be able to obtain audit opinions that indicate that the financial statements are presented in conformity with GAAP rather than an "other comprehensive basis of accounting" (OCBOA).

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## ITRB Issues Guides

Pursuant to the Government Performance and Results Act of 1993, Paperwork Reduction Act of 1995, and Information Technology Management Reform Act of 1996, the Information Technology Resources Board (ITRB) was formalized in July 1996 by Executive Order 13011. Some of the goals of this Executive Order were to:

- Create a support structure that builds on existing successful interagency efforts to provide expertise and advice to agencies
- Improve the management and use of IT within and among agencies by identifying and sharing experiences, ideas, and promising practices
- Provide innovative, multi-disciplinary, project-specific support to agencies to enhance interoperability, minimize unnecessary duplication of effort, and capitalize on agency successes.

In concert with these goals, the ITRB has two primary objectives. The Board conducts confidential assessments of mission critical information system projects at the request of client agencies. Also, based upon the Board members' own experience and insights gleaned from the thirteen assessments conducted since 1993, the ITRB shares information across all levels of government in the form of publicly available guides.

To date, these guides are:

- Project Management for Mission Critical Systems
- Practical Strategies for Managing Information Systems
- The Diminishing Pool of Skilled Information Technology Executives: IT Brain Drain
- Managing Information Systems: A Practical Assessment Tool
- Assessing the Risks of

Commercial-Off-The-Shelf Applications  
Board members are executives and experienced practitioners from Federal agencies who bring diverse program, technical, and acquisition management expertise to developing and managing major information systems.

The ITRB developed its most recent guide, *Assessing the Risks of Commercial-Off-The-Shelf Applications*, to assist Federal organizations in

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## A Joint Perspective

In recognition of the major milestones achieved in FY 1999 and the major challenges that face the Federal community in FY 2000, this Joint Perspective is devoted entirely to Federal financial systems issues. The Office of Management and Budget and the Chief Financial Officers Council 1999 Federal Financial Management Status Report and Five-Year Plan articulates the governmentwide priority "to establish financial management systems throughout the Federal Government to support fiscal and programmatic accountability by:



Karen Cleary Alderman  
Executive Director, JFMIP

- 1) Providing a financial management systems environment in which financial systems can be successfully planned, developed, operated, and maintained.
- 2) Establishing government systems requirements that support information standards.
- 3) Improving the availability of systems that meet governmentwide systems requirements."

The plan focuses on six improvement areas: planning and investment, governmentwide and agency financial management systems infrastructures, comprehensive data requirements, comprehensive functional requirements, industry partnerships, and systems deployment. The October 1999 GAO report, *Financial Management: Federal Financial Management Improvement Act (FFMIA) Results for Fiscal Year 1998*, underscores that agencies have a long way to go in order to substantially comply with the law. Federal agencies are trying to meet the challenge. The 1999 inventory of federal financial systems forecasts major changes. Federal agencies plan to substantially upgrade or replace 79 percent of the 1107 financial system applications.

### Status of Financial System Requirements Documents

JFMIP contributions to the Federal community financial systems improvement efforts support three of the six improvement

strategies—issuing comprehensive functional requirements, providing critical tools to facilitate industry partnerships, and improve the chances for successful systems deployment.

FY 1999 marks major strides in development of JFMIP financial system requirement documents. These serve many roles. They provide benchmarks for agency compliance under FFMIA and have served as a tool for oversight agencies to evaluate systems. They are used to help justify agency system improvements or replacements. They help organize the private sector market by communicating mandatory functionality that commercial software must be able to provide to Federal agencies, as well as identifying value-added features desired by Federal agencies.

In 1999 JFMIP updated four financial system requirements documents: *Core Financial System*, *Human Resources & Payroll Systems Requirements*, *Direct Loan System Requirements*, and *Travel System Requirements*. The *Seized Property & Forfeited Assets System Requirements* comments have been evaluated and a final document is being prepared for issuance. This fall, three additional exposure drafts are being issued. These include *Guaranteed Loan System Requirements*, *Grant Financial System Requirements* and, subject to approval of the JFMIP Steering Committee, *Property System Requirements*. Comments are due in late December. Each of these efforts reflects leadership coming from stakeholder agencies—Small Business Administration, National Science Foundation, and Department of Defense, respectively—and participation from across government and the private sector. (Separate articles appear in this and previous issues of *JFMIP NEWS* detailing these efforts and results.)

Tremendous progress has been made. The issuance of the documents described above will place JFMIP a little over the halfway mark in issuing functional requirements for the entire Federal Financial System architecture. We have come far, but have far to go. Future efforts will address the Benefit Payments System and Acquisition System requirements. As with other efforts, JFMIP seeks leadership and participation from agencies, especially those with the greatest stake in the outcome. JFMIP now anticipates that these efforts will begin this winter.

The CFO and oversight community has expressed the need for other tools to help

evaluate whether financial systems substantially comply with requirements. The *Financial System Compliance Review Guide*, jointly sponsored CFO Council, the PCIE, and the JFMIP offers a tool to agencies, the oversight community, and the vendor community to help establish consistent expectations and methods to conduct financial management system compliance reviews. This document is in exposure draft until December 20, 1999. I recommend the article on page 12 to your attention.

### Core Financial System Testing and Qualification Process

The CFO Council and the JFMIP partnered to reengineer the Core Financial Systems testing qualification and procurement processes to address long standing deficiencies in the previously existing process. October 1, 1999 marked the transition from old process to new process. It was accomplished on time and on "spec." Success reflects hard work and support of many business partners including the JFMIP Steering Committee, CFO Council in whole and Sky Leshner, Chairman of the CFO Council Financial Systems Committee, OMB, GAO, the Logistics Management Institute, the General Services Administration—both the Federal Technology Service staff and the Federal Supply Service staff, the Federal agencies, and the vendors.

The components of this new process are:

- Up-to-date core financial system requirements complemented by identification and prioritization of value added features desired by Federal agencies.
- An open and comprehensive testing and qualification process that tests, in part or in whole, all testable mandatory requirements.
- Modification of OMB Circular A-127, "Financial Management Systems" to eliminate the mandatory use of the FMSS schedule to procure core financial systems and require Federal agencies to purchase software that has attained the JFMIP certificate of compliance.
- Establishment of a web-based "Knowledge-base" to share information with all stakeholders on all parts of the process.

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# Update from the Chief Financial Officers Council

By Sallyanne Harper,  
Vice Chair, CFO Council

The Chief Financial Officers Council (CFO Council) is proud to support cross-agency cooperation, idea sharing, and management reform.

Working together with the JFMIP, we think our combined efforts can be valuable to financial managers across government. As JFMIP encourages and promotes the government-wide exchange of information concerning good financial management techniques and practices, we think the CFO Council has much to contribute.



Sallyanne Harper  
Vice Chair, CFO Council

CFO Council efforts begin with assuring compliance with statutes such as GPRA, GMRA, FFMIA, and the CFO Act itself, but the group's outlook is much wider and more proactive.

## Transparency in Communications

The CFO Council and JFMIP maintain a high profile at the Financenet website, which is the internet's center for information about public financial management issues—whether concerning U.S. state governments, Federal agencies, or international governments. Financenet's wealth of information and worldwide set of links is designed to keep communications among policy-makers, financial managers, and taxpayers open and transparent. Through Financenet, government employees, educators, and citizens of any country can have access to information about critical issues in public finance and how government organizations are addressing those issues on a global basis. Newsgroups provide a forum for open discussion, and one Financenet area that is growing rapidly is the International GovNews Project. This section of the site is devoted to over 200 discussion groups, arranged by topic, open to international government personnel and taxpayers everywhere.

GovNews forums provide easy public access to a wide range of government information, as well as a useful channel for policy makers seeking public feedback.

## Building Professional Expertise

The CFO Council aims to assure that the government's financial management personnel bring the best skills to their jobs, have the right tools at hand, do their jobs to the public's satisfaction, and make that vital connection between their work and their agencies' missions. For example, our Human Resources Committee has made significant progress improving opportunities for professional development. We are working with the Federal Learning Exchange (FLX) to establish a Federal Finance Domain niche assembling the most complete on-line database possible of learning opportunities for federal financial personnel. Special efforts have been made to link course offerings to the Core Competencies published by JFMIP. This will streamline users' searches for courses most pertinent to their career development needs. To help define those needs, the committee has also published an executive toolkit—available at Financenet—to help supervisors and their employees tailor individual professional development plans (IDPs) to the needs of the organization as well as their own career interests.

## Creating Systems That Work

Early on, the CFO Council recognized a need to modernize the government's management of financial data, assuring consistency and compliance with professional standards, and expanding the government's ability to report clearly on its use of public funds to achieve results that are important to American citizens. The CFO Council's partnership with Treasury and the network of government Chief Information Officers (CIOs) has been critical to success in this area. We rely also on the work of JFMIP's Program Management Office (PMO) in developing, testing, and maintaining core financial system software requirements. PMO support for the CFO Council's financial systems strategy is essential to success in this area.

The CFO Council has established an equally important partnership with the Inspectors General, who comprise the members of the President's Council on Integrity and Efficiency (PCIE). The two organizations are working together in several areas, including support for agencies' compliance with the Federal Financial

Management Improvement Act (FFMIA). In this regard, CFO Council and PCIE are collaborating on a methodology for reviewing agencies' financial management systems which, under FFMIA, must comply with federal financial systems requirements, applicable federal accounting standards, and the US Government Standard General Ledger.

## Accountability to the Public

The best-run private corporations can point to healthy balance sheets and robust returns on investment to demonstrate their management capabilities to shareholders. With a body of "investors" encompassing the entire U.S. citizenry, government has a bigger and even more important job to do. The CFO Council serves as a support network for each CFO agency working to earn a "clean," or unqualified, audit opinion on its annual financial statements. It is also a key partner in the ongoing development of a set of governmentwide financial statements that merit the same "clean" audit opinions. We appreciate the support of JFMIP in disseminating information on the latest developments in government accounting and auditing. The CFO Council recognizes that one of the best ways to inspire public confidence in the way that government manages the public's business is to generate a financial picture that professional auditors can endorse without reservation, and JFMIP helps assure that financial managers have the information they need.

## Into the Future

The CFO Council's track record is a solid one, and there is every indication that this group will continue as a recognized leader and a valuable partner—with OMB, Treasury, JFMIP, the PCIE, and the CIO Council—in charting a course for the future of financial management in government. We're looking forward to working with you well into the future. □



## Revised OMB Circular A-110

On September 30, 1999, the Office of Management and Budget (OMB) issued new requirements for public access to data from Federally-funded research, which were published in the Federal Register on October 8, 1999. These requirements, which constitute a revision to Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, were mandated by the FY 1999 Omnibus Appropriations Act.

The new requirements apply when Federally-funded research is cited by Federal agencies as the basis for regulations or other actions that have legal effect. In these cases, interested parties can request the underlying data by making a request under the provisions of the Freedom of Information Act. In the public notice, OMB stated that the procedures were crafted to balance the public's right to access with the need to preserve the independence of traditional scientific research. Safeguards were added to protect the confidentiality and privacy of research participants, as well as to protect commercial trade secrets, confidential business information and similar intellectual property.

The new requirements were issued after OMB sought public comment earlier this year on two separate proposals. Those proposals generated over 12,000 comments, with some strongly in favor of expanded public access, and others more concerned about potential damage to scientific research. The new requirements incorporate changes suggested in those comments. Agencies will now incorporate the new requirements into their procedures for administering Federal grant programs. For more information on this revision, please contact Gilbert Tran, (202) 395-3052. □

## Updated Core Competencies Documents Issued

The Human Resources Committee (HRC) of the U.S. Chief Financial Officers (CFO) Council and the Joint Financial Management Improvement Program (JFMIP) have recently updated the core competencies documents for accountants, for financial managers, and for budget analysts. The titles and document numbers of the publications are listed below.

Recognizing the accelerating rate of change in Federal financial management a Review Board was established last year to ensure that the core competencies documents are current. Three work groups reviewed the initial document in the series, *Framework for Core Competencies for Financial Management Personnel in the Federal Government*, that was published in November 1995. Competencies for accountants, budget analysts, and financial managers were addressed in this framework document.

The core competency documents were revised to reflect changes in Federal financial management legislation and regulations, standards issued by the Federal Accounting Standards Advisory Board, and changes in the workplace at large. For further information, please contact the co-chairs of the Review Board—Doris Chew, JFMIP, (202) 219-0528 or John Sander, State Department, (202) 261-8631.

The publications are:

- *Core Competencies for Accountants in the Federal Government* (JFMIP-ET-99-8) ;
- *Core Competencies for Financial Managers in the Federal Government* (JFMIP-ET-99-11) ; and
- *Core Competencies for Budget Analysts in the Federal Government* (JFMIP-ET-99-14) .

These documents can be accessed electronically on FinanceNet Internet website: [www.financenet.gov/fed/jfmip](http://www.financenet.gov/fed/jfmip) . The JFMIP uses the General Accounting Office Document Distribution Center to fulfill publication requests. Please contact GAO at (202) 512-6000, fax (202) 512-6061 or TDD (202) 512-2537. □

## The Chief Financial Officers Council Fellows Class of 1999-2000

The U.S. Chief Financial Officers (CFO) Council is sponsoring its second class of CFO Fellows. The CFO Council Fellows program was established to identify and develop a diverse cadre of candidates for future executive level financial management positions. Each Fellow spends a year on challenging departmental level developmental assignments at a host agency different from their own. CFO Fellows receive formal training from the Federal Executive Institute and the U.S. Department of Agriculture Graduate School. The Program is designed to give the CFO Fellows opportunities to affirm their leadership potential by demonstrating initiative, creativity, adaptability, and the ability to lead as well as to work effectively on teams.

The participants of this year's CFO Fellows and their assignments are summarized below.

Len Bechtel is from the Environmental Protection Agency (EPA) and is working at the Department of Transportation (DOT). Len is currently working with David Kleinberg, Deputy CFO at DOT on an electronic commerce project to collect payments for professional registrations, certificates, course fees, penalties, training, mariner medals and database information. He also works on Department-wide financial management policies, drafting proposed new policies for unclaimed assets and unliquidated obligations. Len has previously worked with the CFO Council Human Resources (HR) Committee and the Government Performance and Results Act (GPRA) Implementation Committee.

Patricia Clark, from the Department of Labor, is at the Joint Financial Management Improvement Program (JFMIP) where her developmental assignments include testing commercial off-the-shelf (COTS) financial management system software to qualify the software for Federal agency use. She is

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## FINANCIAL MANAGEMENT PROFILE

Bert T. Edwards was confirmed the Chief Financial Officer (CFO) and Assistant Secretary for the Bureau of Financial Management and Policy of the U.S. Department of State in October 1998. As CFO, Mr. Edwards oversees the Department's overseas and domestic financial, accounting and budgeting operations. The Department has 25,000 employees worldwide, including 13,000 foreign service nationals who work at overseas posts. Mr. Edwards' Financial Management and Policy Bureau pays overseas costs for 35 other Federal government agencies, aggregating \$4 billion annually, and is responsible for administering the Foreign Service Retirement Plan. Disbursements are made in 130 currencies.

Prior to his appointment as CFO, Mr. Edwards was a Retired Partner of Arthur Andersen LLP and worked as a consultant from 1994 through 1998. In 1996, he was appointed to an 18-month term as one of 17 members of the District of Columbia Tax Revision Commission. From 1995-1997, Mr. Edwards was team leader on a World Bank project to develop a uniform municipal accounting system for Palestine's largest municipalities, and was technical advisor to a World Bank project to develop a financial system for the national Palestine government. And from 1996-1998 he was technical advisor in Hanoi to a World Bank project to develop a financial management system for Viet Nam.

Mr. Edwards began his career at Arthur Andersen as an Accountant in 1961, and rose to Senior Accountant in 1964, Manager in 1966, and Partner in 1971. A native Washingtonian, Mr. Edwards co-led an extensive review of the District of Columbia government following its achievement of home rule in 1975. This changed the thrust of his career to the public sector – government, nonprofit organizations, and education. Mr. Edwards was Arthur Andersen's Industry Head for Nonprofit and Higher Education Organizations, and had Firmwide technical responsibilities for Arthur Andersen's Federal, state and local governmental accounting and auditing practice.

Mr. Edwards is active in the Association of Government Accountants, Government Finance Officers Association (GFOA), and the Association of Business School Officers. He was Chairman of the Greater Washington Society of CPAs Government Accounting Committee during 1979-1981 and, during 1994-1998, its Committee on Relations With the District of Columbia Government. He directed the audits for 13 recipients of the GFOA Certificate of Achievement of Excellence in Financial Reporting, and has been a member of GFOA's Review Panel for its Certificate Program for over 20 years. He is the principal author of Arthur Andersen's publication Guide for Studying and Evaluating Internal Controls in the Federal Government. He authored American Institute of CPA's one-day seminar on the Single Audit, offered to about 1,000 CPAs throughout the U.S. annually during Summer 1985 through 1996.

Mr. Edwards graduated from Wesleyan University with a Bachelor of Arts degree in 1959, and from Stanford University with a Master's Degree in Business Administration in 1961. He is a CPA in the

District of Columbia and several other states. He has received the Andrew Barr Lifetime Achievement Award from the Association of Government Accountants (1993), the Lifetime Achievement Award

from the Government Finance Officers Association of the Metropolitan Washington Area (1993), the Lifetime Public Service Award from the Greater Washington Society of CPAs (1997), and the McKelvy Prize from Wesleyan University (1997).

Mr. Edwards' management philosophy is to make the best use of available resources, but always plan for change. The explosion of the Internet and e-commerce, proliferation of "paperless" business practices, and particularly the globalization of world economy will continue to increase the demand for instantaneous information and exacerbate the competition for human resources. To remain competitive, managers must invest in people. "While we will have to cope with 'less is beautiful', the skill base of remaining employees will have to increase. The US government can no longer be the employer of last resort, particularly in



financial management and information technology. A critical failing in government is to cut the training budget when resources are reduced. A better strategy is to reduce employment and use funds to train the rest. The second issue is compensation. Even the smaller US government agencies are equivalent to 'Fortune 500' companies, and it is simply foolish to expect financial managers to work for noncomparable salaries." Mr. Edwards strongly endorses attainment of professional recognition – CGFM, CPA, CIA, and others – to demonstrate independently established skills and to improve marketability, and strongly supports 40+ hours of training annually. The Federal government must upgrade educational requirements for entry-level financial personnel and engage in multiple-agency recruiting to attract appropriate young people into the Federal government.

Globalization, coupled with the demand for instantaneous information, drives standardization in information reporting to facilitate a common approach to communication and across-the-board comparisons of agency operations – nationally and world wide – against agency objectives and results. Concomitant technology improvements must come to process and provide that information faster. Standardization drives agencies to improve stewardship and accountability in their organizations. But, standards development and technological improvements materialize on different timelines. Mr. Edwards sees that "new standard-setters have a tendency to expect more change than can be timely and effectively implemented by entities affected. This has occurred with FASB, GASB, and now with FASAB. A standard which causes US government agencies to receive qualified auditors' reports – possibly impacting the entire US government – does not serve a useful purpose if the inability to comply is due to complexity and massive systems change." Balancing the cost of increasingly

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*ITRB, continued from front page.*

clarifying the myriad risks they will encounter when facing a commercial-off-the-shelf (COTS) implementation. This tool, which shares guidelines and information gleaned from case examples, is designed to promote greater awareness and better informed decisions when considering a COTS solution. Ultimately, this knowledge should lead to more successful COTS implementations as increasing numbers of Federal agencies turn to these solutions.

The guide contains questions organized around five broad categories: business purpose, organization, technology, acquisition, and implementation. Each category represents a critical aspect inherent to the successful implementation of a COTS application. Each question prompts the respondent to consider those factors which are key to a successful COTS application package implementation. Respondents carefully consider each answer in terms of how it pertains to projects within their own organization.

Completing the questions and assessing results will help respondents to better understand the overall level of risk associated with implementing a COTS application

package, given current business needs and organizational conditions. Answers to each question are provided by the choice a, b or c, which correlate to three levels of risk: low, medium and high, respectively.

If most of the responses are a's, an organization has a low risk profile for implementing a COTS application package. While an overall profile of low risk is a strong indicator, it is important to note that this does not mean a "no-risk" profile. Every COTS product implementation involves some degree of risk.

If most of the responses are b's, an organization has a moderate risk for implementing a COTS application product. Respondents should carefully examine the questions with medium risk (b) and high risk (c) responses to identify specific vulnerabilities.

If most of the responses are c's, an organization has a high degree of risk for implementing a COTS product. Respondents should review the questions to help their organization identify critical areas that need to be reexamined, regardless of the COTS implementation phase. Often, organizations attempting to implement a

COTS application package without sufficient analysis and preparation encounter significant challenges which can be related to issues with the business processes used to build an application, technologies used to construct a system, and organizational change management. Careful consideration of these issues will help to minimize an organization's risk profile and curb future expenditures.

An underlying message of the guide is "Caveat emptor". The majority of COTS solutions require extensive customization to meet the needs and support the business processes of the Federal environment. Federal agencies must make major business process reengineering changes to use COTS solutions as delivered. Often, COTS packages provide only a partial solution and require an interface to an existing system. The interface may be simple or difficult to implement, but usually requires time, personnel, and funding to resolve subsequent problems.

This and the other ITRB guides may be downloaded from the Board's web site at [www.itrb.fed.gov](http://www.itrb.fed.gov). To obtain paper copies, contact Avis Ryan at or 202-219-8370. □

## FACTS II Opens for Business on October 27, 1999

The Federal Agencies' Centralized Trial-Balance System (FACTS II) is a key part of a joint OMB-Treasury initiative to eliminate duplicate year-end reporting and improve the quality of budget data that agencies provide to OMB and Treasury. OMB and Treasury's Financial Management Service (FMS) jointly developed the system; FMS operates it.

Agency FACTS II data will fulfill the requirements of the FMS 2108 Year-End Closing Statement and the SF 133 Report on Budget Execution. FACTS II data also will be used to produce much of the initial set of prior year data in the Program and Financing Schedule published in the President's Budget.

In its year-end reporting guidance, FMS asked agencies whether they plan to use FACTS II starting with year-end 1999 reporting, or whether they would submit data the "old way". Almost every cabinet department and major independent executive

branch agency will use FACTS II to submit at least some of their year-end data for FY 1999. Many other independent agencies, and even many Legislative Branch agencies will use FACTS II for FY 1999 reporting as well.

Some large agencies, like the State Department, have opted to grow into using FACTS II gradually. State Department plans to increase the number of fund symbols each quarter from year-end FY 1999 through year-end 2000, with their year-end 2000 submission including all their fund symbols. Other agencies are using a similar approach. The Agriculture Department's Rural Development Administration was the first agency to successfully produce a bulk file that passed all FACTS II edits, submitting reports for approximately 50 fund symbols, including credit accounts.

OMB and FMS are closely monitoring FACTS II compliance and will follow up with

those agencies that do not submit all of their fund symbols using FACTS II.

FACTS II training was held this past summer. More than 200 agency personnel were trained during two-day seminars in the underlying accounting for FACTS II, as well as in how to use the system. More training sessions will be available in FY 2000 through the Center for Applied Financial Management.

If you are interested in working on the FACTS II project on a detail to OMB or Treasury, contact Chris Fairhall, (202) 395-4836, e-mail [chris\\_fairhall@omb.eop.gov](mailto:chris_fairhall@omb.eop.gov); or Jeff Hoge, (202) 874-6179, e-mail [jeffrey.hoge@fms.sprint.com](mailto:jeffrey.hoge@fms.sprint.com).

For additional information, see the FACTS II Web page at [www.fms.treas.gov/ussgl/factsii](http://www.fms.treas.gov/ussgl/factsii). □

*CFO Fellows, continued from page 4.*

working on the development of system testing tools, facilitating actions to improve financial management processes, and researching relevant financial management issues. Pat is coordinating special meetings, such as forums on the core financial system test, and developing articles for press releases and newsletters to communicate JFMIP initiatives effectively.

Tracy Dahbura, from EPA is currently working at the National Science Foundation (NSF).

Tracy has selected projects during her fellowship that benefit the CFO Council, the National Science Foundation, and the Fellows program. She is working with Bert Edwards, CFO at the State Department, and the joint CFO/Chief Information Officers (CIO) Council project team assessing the implementation issues of SFFAS #10 - Accounting for Internal Use Software. She is also studying options for the implementation of cost accounting and allocation of costs within the NSF accounting structure in support of GPRA. Finally, she serves as the primary Fellow contact within the program, including maintaining the Fellows website and initiating agency briefings for the Fellows.

Adolphus Hawkes, from the Office of CFO at the Department of Labor is working at the Employment Training Administration (ETA) within the Department. From May through mid-August, he worked in the Office of Compliance and Financial Statements at the Defense Finance and Accounting Service, performing research on accounting issues affecting the audit opinion of Department of Defense (DoD) financial statements. At ETA, Adolphus is working on the Grant Contract Management Information System (GCMIS) conversion to Labor's accounting system. He is documenting a number of financial management and accounting related processes within the Division of Accounting and is the Administrator for the Division of Accounting's web page and conference. This conference is designed to promote dialogue among ETA regional offices on accounting, grant management and other financial management related issues.

Steve Nash, from the Social Security Administration (SSA), is working at the Health Care Financing Administration (HCFA) at the Department of Health and

Human Services (HHS). Steve's primary focus while at HCFA has been working to help resolve the proper valuation of HCFA's accounts receivable balance. This issue is the



final impediment to HCFA and HHS receiving an unqualified audit opinion on their financial statements. In this project, Steve led a workgroup tasked to evaluate Medicare contractor suggestions for the write-off of various receivables, recommended approval of these receivables to HCFA management and visited Medicare contractor sites to monitor the progress of independent consultants retained to evaluate receivable balances.

Lou Pennock, from the Defense Finance & Accounting Service (DFAS), is working at the National Aeronautics and Space Administration (NASA). Lou's fellowship at NASA includes assignments that provide support within rotational assignments in Financial Management, Resources Management, Office of the IG, 1-month detail assignments at Kennedy Space Center and Langley Research Center, and an assignment in the CFO front office. Projects include a study on the Administrative Control of Reimbursable Activity, participation on a NASA Systems project, and participation on a Council Financial Systems Subcommittee.

Deborah Staton-Wright, from Food & Nutrition Service at the Department of Agriculture (USDA), will work in various agencies within USDA, where is assigned to the Office of CFO.

At USDA, Deborah is a member of the Leadership 2000 Planning Team, a project consisted of designing and providing recommendations for an Integrated

Agency-wide Planning System which has been approved by the Administrator. She is developing implementation plans and wrote selected administrative accounting procedures for proposed distribution to state officials administering specific USDA programs. In addition, she is assisting the CFO Council HR Committee with planning for a Consolidated Recruitment approach based on the Office of Personnel Management's new competency based profile.

Tyndall Traversa, from the National Oceanic and Atmospheric Administration (NOAA), is working at the National Institutes of Standards and Technology (NIST), both organizations at the Department of Commerce. She is analyzing NIST's Working Capital Fund accounting and financial management practices, Federal accounting standards, and central agencies requirements, to ensure that NIST financial management effectively supports its programs. She is planning and coordinating the organizational development of NIST's financial offices, including areas such as: benchmarking; process mapping and reengineering; systems planning; and customer service. For NOAA, she is guiding the development and implementation of a Management Information System for the Advanced Weather Interactive Processing System, and plans to design a cost/benefit analysis of the National Weather Service modernization. Tyndall is participating in the Government-wide Recruitment Consortium and anticipates helping with one of the Financial Systems' Committee's priorities for FY 2000.

In addition to individual assignments, the Fellows work on class projects, including drafting articles on financial management topics for various publications. They are helping to advance the Fellows Program by speaking at public meetings and to groups within their host and home agencies. □



Joint Perspective, continued from page 2.

On October 1, close to 30 documents were posted to the Knowledgebase providing results of the process. Of great interest is the list of software packages that qualified under the new process, which includes:

- American Management Systems, Momentum Version 3.3
- Digital Systems Group, IFMIS, Version 5.1.6
- Oracle, Public Sector Financials Release 11, Version 3.0
- PeopleSoft, Financials for Education and Government, Version 7.5

Other documents provide information about value-added features, supplemental information about how the test was constructed and the depth of the test coverage, and agency purchase plans. In the three weeks after these documents were posted, there were about 1000 “hits” a week on the Knowledgebase, suggesting that the communication goals are being met. In addition, JFMIP hosted its 4th “Open House” on October 6, 1999 to present the results of the process and answer questions.

JFMIP would like to share some critical observations from the testing process. Small and large company’s software products qualified under the new process. The key was functionality. Unlike core system applications currently in use by Federal agencies, all of the packages qualified to date are client server or web enabled applications. The test and qualification applies to a specific software version of vendor software. While some vendors are the same, none of the packages that qualified under the new process are the same version as offered under the previous FMSS schedule. All qualified packages successfully produced expected results from the 166 test steps, however, there are significant differences in software complexity and user interface designs and value added features. Some of the packages are enterprise resource programs. JFMIP only tested the core accounting functions. Testing and qualification is a continuous process and GSA’s FSS IT 70 schedule can add qualified packages at any time. So newly qualified vendor products can be available to Federal agencies without delay. Finally, we would like to reemphasize that the JFMIP output of the test and qualification process is a certificate of compliance issued to software versions that successfully produce expected results. We do

not disclose information about products or vendors that do not receive a certificate.

The JFMIP process provides valuable information to agencies, but the information is not sufficient to successfully select software. Agencies still must test and evaluate whether the package will meet transaction volume, agency specific information technology architecture, and agency specific requirements. The JFMIP qualification provides an adaptable model for agencies to use, but success in implementing systems remains an agency responsibility. Other Federal resources, including the Information Technology Resources Board, can help agencies achieve success. (see article on front page).

What is the outcome of this process? Clearly, the process has clarified requirements and developed objective methods to test requirements that can be used by the CFO community, the oversight community, and software developers. Feedback from Federal agencies in the market to acquire new systems is that their effort and cost have been reduced. Market information increased for vendors. Also, vendors indicated that the test effort drove them to improve their products in two ways—it provided information that enabled them to understand Federal requirements and they had no other choice but to improve software packages in order to pass the JFMIP qualification test. Finally, Federal agencies acquiring systems in FY 2000 and beyond will benefit from the streamlined procurement process. This reform effort demonstrated the seriousness of the CFO Council commitment to create tools that will help them improve financial systems. It also demonstrated that rapid progress is possible when there is CFO Council commitment, focused resources, an empowered organization, and accountability for results.

#### **Outstanding Questions**

The process has exceeded expectations and also raised many questions.

What should be the timing for requiring agencies to implement new requirements and for JFMIP to test for newly established requirements? What do agencies need to successfully make decisions about new systems and achieve successful system implementations? How can investment decisions be better justified? Will there be adequate budgetary resources to pay for system improvements? What are the change

management and work force implications of new systems—selecting, implementing, and operating? How will Federal agencies acquire the right skills to succeed?

What should the qualification process be for Federal agencies that cross service to other Federal agencies? The current policy is to test and qualify cross servicers on a voluntary basis. What is the policy on qualifying private sector companies who want to sell accounting services to Federal agencies through an “application hosting” arrangement?

What are the technology trends and what are the system security issues of current applications and emerging technologies?

These questions highlight some of the challenges in meeting the financial systems goals presented in the *Financial Management Status Report and Five-Year Plan* as we move into the next century. They also underscore the need for agencies and the oversight community to manage expectations. This is a difficult and complex business. JFMIP looks forward to continue partnering with the many who must play a role in achieving success. □

## JFMIP Has Moved!

Our new address, telephone and fax numbers are:

JFMIP  
1990 K Street NW  
Suite 430  
Washington, DC 20006

Telephone: 202/219-0526  
Fax: 202/219-0549

Please make a note of these changes for future reference.

JFMIP documents are distributed through the GAO Distribution Center: 202/512-6000.



*AICPA, continued from front page.*

This designation came after extensive work by two AICPA Task Forces. The first Task Force was charged with establishing Rule 203 cognition. At the May 1999 meeting, Council approved the criteria to be used in designating accounting standards-setting bodies under Rule 203. They are: Independence; Due Process and Standards; Domain and Authority; Human and Financial Resources; and Comprehensiveness and Consistency.

The AICPA Board Chair appointed a task force to assess the FASAB against the Council-approved criteria, and to provide recommendations to assist the Board and Council regarding Rule 203 designation for FASAB. The Board task force had very broad representation from the AICPA Board, the private sector, and government. It was chaired by Professor Gary Previts of Case Western Reserve University. The members included current and former AICPA Board of

Directors members Judy O'Dell of Beucier, Kelly & Irwin, Ltd.; Marilyn Pendergast of Urbach, Kahn and Werlin, PC; and Bill Truehart of Reading is Fundamental. The remaining members were Dan Murrin of Ernst and Young (AICPA Federal Accounting & Auditing Subcommittee); Sam McCall of the State of Florida's Audit General's Office (Association of Government Accountants); Tom Fritz of the Private Sector Council; and Dr. Linda Blessing of the Arizona State Board of Regents (former FASAB member and AICPA Council member).

The Board task force evaluated the mission and process of the FASAB based on the Council-approved criteria, recommended changes in FASAB procedures, and assisted in incorporating those changes in FASAB's Memorandum of Understanding and Rules of Procedure. With the changes completed, the task force deemed the FASAB to have

satisfied such criteria. Accordingly, the AICPA Board recommended that Council adopt a resolution to designate FASAB under Rule 203. On October 19th, the AICPA Council approved the resolution. The AICPA Chairman Robert Elliott and the Task Force Chair Gary Previts will be meeting with FASAB leadership later this year to confer Rule 203 status on FASAB.

FASAB will provide more details regarding changes in its operations in the next issue of its newsletter. A Federal Register notice was published on October 8th and provides information on the revisions to the Memorandum of Understanding under which FASAB operates. For more information, please contact FASAB at (202) 512-7350. □

*Edwards, continued from page 5.*

sophisticated systems with requirements of new FASAB standards and OMB Bulletins will be one challenge facing financial managers in the next five to ten years. Modernization in US government agencies will require very substantial expenditures for hardware, software, and "peoplewear".

Mr. Edwards sees standardization of core requirements for financial systems facilitating development of COTS products. However, he cautions that core requirements should not attempt to be so comprehensive as to defy implementation. Also, once the Y2K "crisis" has passed, focus should be directed to system security. Mr. Edwards is concerned whether COTS products, which incorporate private sector accepted security standards, can continue to be used if unreasonable security measures are mandated. The need for customized features to satisfy such security measures could substantially increase the cost of new systems.

Managerial cost accounting and audited financial statements are much needed to interject discipline into the management and reporting processes. SFFAS No. 4 "is arguably the most far-reaching GAAP standard ever issued. FASB (and its

predecessors) and GASB have not ventured into this arena in their nearly 70- and 15-year respective existences. The principal benefit of the annual audit is the discipline that must accommodate the annual audit process – formal closing schedule, assigned due dates and responsibilities for completing closing steps, etc. This will lead to quarterly, monthly, and perhaps real-time reporting in the near future." Basically, US government agencies need to understand that they must comply.

But, to truly improve stewardship and accountability in their organizations, what is really needed is "a close relationship and mutual understanding between financial and operational managers. For 200+ years, US government agency operational managers have managed the budget. We now understand that this focus has resulted in a \$6 trillion (!) accumulated deficit... Our traditional cash-oriented budgeting must be reconciled to GAAP-oriented financial reporting...budgeting in the state and local government sector is gradually moving those entities to GAAP budgeting, and the U.S. government should take notice."

Mr. Edwards is proud of the fact that the State Department has received an unqualified opinion on its department-wide financial statements in FY 1997 and 1998. He believes the U.S. government can achieve a "clean" opinion on the consolidated government-wide financial statements within the next two to three years.

Like most future-focused leaders, Mr. Edwards wants to maintain the State Department at the forefront of modern business practices – e-commerce, state-of-the-art systems, leader in best practices. As the chair of the CFO Council Financial Statements and Standards Committee, he wants to "develop appropriate responses on behalf of the 24 CFO agencies to 'due process' documents issued by FASAB, JFMIP, GAO, OMB and others which impact financial management."

Change is inevitable. But changing without planning for change can have dire consequences. This applies to the financial management arena as well. Mr. Edwards would have us remember that "generally accepted accounting principles requires general acceptance. General acceptance requires resources for implementation." □

## Staying Competitive through Training

An American Management Association survey of over 1,000 large and medium-sized corporations recently showed that companies that increased their training after announcing layoffs were twice as likely to report improved profits and productivity as the firms that didn't invest in training. The AMA survey found the strongest correlation in the data occurs when training activity is matched against organizational performance. Companies that increase their training activities when job cuts occur are 80% more likely to increase worker productivity; more than twice as likely to report quality improvement; and 80% more likely to increase shareholder value. The 1999 survey, in the process of publication at press time, continues to reflect these trends. [Source: Annual Staffing and Structure Surveys, American Management Association, New York, NY, 1996; 1998; 1999. For details, see [www.amanet.org/research/specials/compendium.htm](http://www.amanet.org/research/specials/compendium.htm) or contact AMA Research Director, Dr. Eric Greenberg via email at [egreenbe@amanet.org](mailto:egreenbe@amanet.org).]

Like its corporate counterparts, the Defense Finance and Accounting Service (DFAS) chooses to stay competitive by investing in human capital. DFAS has reduced its number of personnel from more than 31,000 in 1993 to about 20,000 today. But its investment in training has been increasing. Between FY 1996 and FY 1999, the agency's investment in training climbed from \$9 million to nearly \$29 million.

Consolidation dramatically increased training requirements within this relatively young agency. Before DFAS was activated in January 1991, the defense finance and accounting world was a complex, fragmented community, built around 250 finance and accounting systems scattered across 338 sites. The finance area alone had over 80 systems—today there are 20. Some 50 military and civilian pay systems were consolidated to three—one for Army, Navy and Air Force members, one for Marines, and one for Department of Defense (DoD) civilians. Scores of defense financial management functions, including cash accountability, debt collection, vendor pay and travel allowances devolved to 5 DFAS Centers and 20 Operating Locations, with DFAS headquarters located in Arlington, VA.

Such massive reengineering meant that staff needed—and have an ongoing need for—training in both technical and

organizational subjects. About 125 functional and systems courses can provide DFAS employees with the skills needed to perform their jobs. Courses are taught by contractors through a large-scale financial management education and training contract, as well as by “commercial off-the-shelf” course providers. To support ongoing study, there is a network of 17 Career Learning Centers and satellite training rooms at DFAS locations enhance employee skills.

In fiscal year 1999, nearly 8,000 participants learned about DFAS policies, processes and the associated systems in classes. Some 14,000 individuals took courses or computer-based training on a suite of Y2K-compliant office automation software. Nearly 275 supervisors and managers attended courses within a three-tiered executive development series. DFAS Director Thomas Bloom addressed students through video teleconferencing, to spotlight the agency's clear goals for service that thrills its customers.

Each educational activity adds momentum to a comprehensive training program to increase the professionalism of all DFAS employees. Fourteen Career Development Plans identify training, developmental assignments and self-development initiatives needed to succeed in a given DFAS career field. Still evolving are training opportunities that aim toward the goal of certification.

The agency has implemented its own structure, the Professional Leadership Certification Program—a combination of courses and leadership-oriented assignments. In addition, DFAS will be providing courses to prepare for the Certified Government Financial Manager (CGFM)—a designation advanced by the Association of Government Accountants. The CGFM is earned through examination, experience, and continuing professional education requirements. The agency next will provide courses related to a defense-oriented certification requiring examination, now under development by the American Society of Military Comptrollers. (Check details on [www.agacgfm.org](http://www.agacgfm.org) and [www.asmconline.org](http://www.asmconline.org) respectively.)

DFAS anticipates that the CGFM and eventually the Defense Financial Management Certification (DFMC) will positively influence the competence of the workforce. To monitor that expectation, an internal team will study the agency's

### A Sampler of DFAS Courses

Since 1992, DFAS has consolidated 338 finance and accounting operations into 5 major Centers and 20 Operating Locations, with its headquarters located in Arlington, VA. During this period, the agency has trained tens of thousands of administrators, technicians, and executives in subjects ranging from A to (almost) Z. Functional and systems training courses now available to DFAS personnel and its customers, as well as to other government groups in the near future, include:

- Accounting
- Computerized Accounts Payable System (both DOS and Windows)
- Defense Cash Accountability System
- Defense Joint Military Pay System
- Defense Transportation Payment System
- Defense Working Capital Fund/Unit Cost Disbursing
- Military Pay
- Travel and Transportation Allowances
- Vendor Pay

...and many others, as well as study courses for the CGFM and DFMC.

DFAS readers may access a complete listing at <http://dfas4Dod.dfas.mil/psa/fastrac>.

Call 800-443-4426 or E-mail [solutions.solutions@dfas.mil](mailto:solutions.solutions@dfas.mil) for information.

investment in certification training in both financial and organizational terms. Initially, several hundred participants will report on their levels of satisfaction and learning within the CGFM courses. Smaller samples of participants and their supervisors will help link the courses to the agency's published core competencies for financial managers, as applied on the job. A prototype evaluation can help DFAS spotlight its progress in meeting goals in the agency's performance contract as well as requirements of federal financial management legislation.

Benefiting from the DFAS experience, new customers and other government units can take classes at its U.S. and international locations. DFAS serves as a resource for the Department of Defense, the Military Services, other CFO and Defense Agencies, and diverse government, private and professional organizations. Through its growing role as a prime agent for cost-effective government financial management training, DFAS builds its competent, competitive staff.

For more information, call the DFAS Business Solutions Division at 800-443-4428, or E-mail [solutions.solutions@dfas.mil](mailto:solutions.solutions@dfas.mil). □

# Mark Your Calendar

## JFMIP 29th Annual Financial Management Conference

### **Federal Financial Management for the 21st Century**

### **--Celebrating JFMIP's 50th Year**

March 14, 2000

Washington Hilton and Towers

Washington, DC

Registration fee: \$120

Look for more information in the next issue of the JFMIP News  
or call 202/219-0526.

## Federal Financial Managers Council

The Federal Financial Managers Council (FFMC) in Washington, DC is still active and has recently undergone some changes in membership. When the DC Chapter was formed, it filled a communications void in the financial management community that has since been filled by the establishment of the Chief Financial Officers Council (CFOC). Thus, the FFMC in DC modified their charter and broadened their membership to include major subordinate organizations of the cabinet level Departments such as the Internal Revenue Service and the Federal Bureau of Investigation. They also invited a representative from the Financial Management Committee of the Small Agency Council (a council of financial management personnel from small independent agencies) to join the FFMC.

The FFMC was invited to establish a link to the CFOC, and they now have a Liaison to the CFOC, who attends their bimonthly meetings and reports back to the FFMC. Since the FFMC's focus is mainly operational, the Liaison can better relate the CFOC activities to the FFMC members and bring back activities of special interest to the FFMC. This also provides the FFMC with a visibility they have not been afforded in the past.

The officers of the FFMC are: Chair—Jack Shipley, U.S. Environmental Protection Agency; Vice Chair—James Turdici, Nuclear Regulatory Commission; and Secretary/Treasurer—David Ostermeyer, U.S. Agency for International Development. The FFMC meets the third Thursday of every even numbered month (the next meeting will be December 16) at 10:00 am. The meeting agenda, location and minutes are posted on

FinanceNet ([www.financenet.gov](http://www.financenet.gov)). All Finance Directors and financial managers of Departments, agencies and bureaus are encouraged to join the FFMC and participate in their meetings. Representatives from the General Services Administration and the Department of the Treasury have recently presented topics of interest to the members. A representative from the Office of Management and Budget has been invited to next meeting. In addition, plans are under way for the annual retreat, which will provide a concentrated block of time for members to get away from their offices and share experiences and make plans for the future.

For more information, contact any of the FFMC Officers through the FinanceNet, or contact Jack Shipley at (202)564-4905. □

## New CFO Council Members

The Chief Financial Officer (CFO) Council welcomed two new members—the Deputy CFO at General Services Administration (GSA) and the Department of Agriculture.

Liz Gustafson was appointed the Deputy CFO at GSA on September 1, 1999. She has been the Controller of the GSA Staff Offices since May 1997 and continues to have those responsibilities. The Controller Office provides financial and program management to the staff offices. The office provides nationwide audit resolution, evaluation support, GSA rent, mail, telecommunications and motor vehicle policy guidance. Prior to that, she worked six years as the Deputy CFO at the Office of Thrift Supervision, Department of the Treasury. She held the Controller position at the National Treasury Employees Union and worked as an auditor with a public accounting firm. She has a BS degree in accounting from the University of Virginia. Ms. Gustafson is a Certified Public Accountant, Certified Government Financial Manager, and Certified Financial Planner.

Patricia Healy is the USDA Deputy CFO. She serves as second-in-command for the overall financial management activities for USDA and for direct management of 1,750 employees in the Office of CFO at USDA headquarters in Washington, DC and the National Finance Center in New Orleans. Her duties include accounting and reporting responsibility for nearly 40% of all debts owed to the U.S. Government. The NFC processes the payroll for one-fifth of the federal workforce (450,000 individuals) and administers the \$84 billion Thrift Savings Plan for federal employees. Prior to that, she was the Director of the Foundation Financial Information System (FFIS) Project Office for USDA, and the National Director for the Systems and Accounting Standards Division at the Internal Revenue Service (IRS). She has held positions at IRS on the implementation of financial systems and a nationwide communication and equipment plan. She also worked with the computer systems of the National Library of Medicine at the National Institutes of Health. Ms. Healy has a Masters of Business Administration from the University of Maryland, a Master's degree in Library and Information Science from the University of Michigan, and a B.A. from Ohio State University. She is a Certified Government Financial Manager. □

## Small Agency Council Financial Management Committee

After a long hiatus, the Small Agency Council's Financial Management Committee (FMC) is back in business. Membership in the FMC is open to representatives of all independent and sub-cabinet agencies with fewer than 6000 full-time equivalent employment. Committee officers currently include two co-chairmen, Henry Hoffman, Federal Trade Commission, and Tom Holleran, Federal Communications Commission. Sub groups and task forces are created as needed.

The purpose of the FMC is to: (1) assist in the development of effective small agency financial management policies; (2) share knowledge, resources and approaches that improve the efficiency and cost-effectiveness of financial management; (3) report on financial management activities of small agencies to promote information sharing and mutual advice; and, (4) represent small agencies before the central agencies charged with setting financial management standards and developing policies, guidelines and regulations. Selected members of the FMC represent the Small Agency Council on the Chief Financial Officer (CFO) Council.

Recent meetings of the FMC focused on debt collection, qualification and classification requirements for financial management staff, and Federal financial systems. Debt Collection issues were presented by staff from Treasury's Financial Management Service (FMS). Covered topics included implementation of the Debt Collection Improvement Act of 1996, the merger of the FMS and IRS tax refund offset program, and a presentation of debt collection statistics. Position qualification and classification issues were presented by Dr. Tom Kiefer, Office of Personnel Management, and Ken Bresnahan, Labor Department and Chair of the CFO Council's Human Resources Committee. Karen Cleary Alderman, JFMIP, highlighted financial system initiatives of the Joint Financial Management Improvement Program (JFMIP). She briefed the FMC on the testing of core financial system software packages, and the development of subsidiary financial

systems requirements. A survey on whether cross-servicing agencies should be tested if they provide core accounting services to other agencies showed that small agencies wanted this to be a requirement, while cross-servicing agencies were split on whether this should be mandatory. Several members of the FMC expressed interest in the update of OMB Circular A-127 on Financial Systems, concerning whether the Circular should be changed to require cross-servicing agencies that provide core accounting to be tested through the JFMIP testing process.

Time is provided at each FMC meeting for a question and answer period following each presentation, and for an informal discussion of financial, appropriation law, or other issues that may be affecting one or more FMC members. Future meeting topics identified by FMC members include pending or planned financial management legislation, Office of Management and Budget initiatives and regulations, the sharing of financial management systems, the Chief Financial Officer/Chief Information Officer interface, cross-servicing, and more!

Should you wish to join, or just have some questions about the FMC, please contact Henry Hoffman at (202) 326-2664 or by e-mail at "hhoffman@ftc.gov" and Tom Holleran at (202) 418-1925 or by e-mail at "thollera@fcc.gov."

## Financial System Compliance Review Guide

JFMIP recently issued an Exposure Draft on "Financial Management Systems (FMS) Compliance Review Guide." The guide is intended to be a high level document that provides overall guidance to agencies in fulfilling their responsibilities for conducting FMS reviews as required by various sources. Until now, no overall guidance in this area existed, despite the many inter-related requirements such as OMB Circular A-127, Circular A-130, Federal Financial Management Improvement Act and the Federal Managers Financial Integrity Act, section 4. Comments are due to JFMIP by December 20, 1999, and can be provided to jfmip@mail.com. □



## FASAB Update

**A**t its September meeting, the Board welcomed two new members: James Patton and Robert Reid. Dr. Patton, a new non-federal member, is a Professor of Business Administration at the Graduate School of Business of the University of Pittsburgh. Mr. Reid is the Deputy Assistant Secretary for Accounting Operations, Department of the Treasury. The Federal Accounting Standards Advisory Board summarized its activities.

### ***Amendment to Accounting for Direct Loans and Loan Guarantees***

At its October 4-5 meeting, the Board discussed responses to the exposure draft of March 1999, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS 2*. It was noted that the majority of the respondents supported all of the amendments. The Board approved two amendments that require: reporting subsidy reestimates in 2 components—the interest rate reestimates, and the technical/default reestimates; and providing narrative disclosure and discussion of program characteristics and program subsidy data. The Board agreed to postpone the effective date of the amendments to periods beginning after September 30, 2000.

### ***Accounting for Major Weapon Systems***

The Board continued its discussion on the many complex issues surrounding accounting and reporting on major weapons systems of the Department of Defense (DoD). The ballot draft of Statement of Recommended Accounting Standards 18 did not receive the necessary five votes for approval. That ballot draft augmented SFFAS 8 to require reporting on the quantity of national defense property, plant and equipment (PP&E) by category, and the annual investment in acquiring and improving national defense PP&E. The SFFAS 6 (as amended) and SFFAS 8 remain in effect. DoD will continue to follow these standards regarding the valuation and reporting of major weapon systems as the Board continues to consider the many complex issues related to one of the Federal government's most extensive and costly PP&E categories.

### ***Major Acquisition Programs Project***

The Board is developing a project to define reporting requirements for major acquisitions for all Federal agencies. FASAB staff presented an issues paper, a draft proposal research report, and an overview of initial issues and possible information requirements. These requirements include defining a major acquisition program, determining the measurement basis for reporting on such programs, deciding on the type of information to be reported, and determining when reporting should begin.

### ***Social Insurance***

The Board approved the Statement of Recommended Accounting Standards Number 17, Accounting for Social Insurance. This statement presents accounting standards for the following federal social insurance programs: Social Security (Old-Age, Survivors, and Disability Insurance), Medicare (Hospital Insurance (Part A) and Supplementary Medical Insurance (Part B), Railroad Retirement benefits, Black Lung benefits, and Unemployment Insurance. The Board's recommendation is available on its website under Financenet. An announcement will be made when the standard has been approved by the Principals.

### ***Stewardship Reporting***

The Board discussion focused on whether there is a better way to report on the items covered by Statement of Federal Financial Accounting Standards 8, Supplementary Stewardship Reporting. Statement 8 addresses Stewardship Property, Plant & Equipment (PP&E), Stewardship Investments and Current Services Assessments. The Board initiated this effort because of the apparent perception of some users and preparers that stewardship information is of less than primary importance. In addition, questions associated with the audit status of the stewardship reports remain unresolved from fiscal year 1998. Discussion focused on the following four possible approaches:

1. Do not revise the existing standards. Provide amplifying guidance (e. g., as interpretations or technical releases) and/or conceptual guidance to enhance existing standards.

2. Revise existing standards to specify the level of audit scrutiny that the Board would desire for each element of Required Supplementary Stewardship Information (RSSI).
3. Revise existing standards to move some categories out of RSSI (presumably into basic information), and re-categorize the remaining pieces of RSSI with the desire that a lesser level of scrutiny (Required Supplemental Information level of audit coverage) would be required.

4. Revise existing standards to eliminate the category of RSSI, and move all elements of RSSI into the current categories covered in the General Purpose Federal Financial Reporting Model (GPFFR).

During the discussion, Board members were split between the third and fourth approaches. As a result of the discussion, Chairman Mosso asked staff to (1) develop a paper that examine the FASAB's concept of stewardship, compares this concept with those of FASB and GASB, and correlates this concept with GPFFR; and (2) develop approaches 3 and 4 more fully for further Board discussion.

### ***Amendments to Statements 6 and 8***

Due to delays in reaching a conclusion on appropriate reporting on National Defense PP&E, the Board agreed to separately issue the portion of the proposed amendment that dealt with reclassifying multi-use heritage assets as general PP&E. In July 1999, this portion of the amendment was presented to the Board's principals as Statement of Recommended Accounting Standard No. 16, Amendments to Accounting for Property, Plant, and Equipment; Measurement and Reporting for Multi-Use Heritage Assets. The Principals have all approved the recommendation, and it has been submitted to Congress for a 45 day review period. After the review period the standards will be issued as Statement of Federal Financial Accounting Standards No. 16. Due to the Congressional calendar, the review may not be completed before Spring 2000. In the meantime,

*Continued on page 14.*

*FASAB, continued from page 13.*

agencies will be able to refer to the standards for planning purposes but may not implement them until the Congressional review has been completed. SRAS 16 is available on the FASAB website.

### **Highlights of Accounting and Auditing Policy Committee (AAPC)**

At its July meeting, the AAPC discussed the definition of liabilities covered by budgetary resources. The Statement of Federal Financial Accounting Standards 1 (SFFAS 1) and OMB Bulletin 97-01 require balance sheet reporting of liabilities covered and not covered by budgetary resources. The AAPC is working with OMB to clarify the definition of liabilities covered by budgetary resources. The most recently drafted definition is posted on the AAPC website and comments are welcomed.

At its September meeting, the AAPC welcomed two new members from the CFO Council: Larry Eisenhart, Deputy CFO, Department of State, and Frank Sullivan, Deputy CFO, Department of Veterans Affairs. They replace Ted David and Steve Schaeffer whose terms were completed. Both Mr. David and Mr. Schaeffer provided invaluable assistance to the Committee and will be missed.

One of the issues discussed focused on what constitutes permanent indefinite budget authority and how liabilities relate to this kind of budget authority. For the November meeting, the task force working on this issue will develop possible criteria and definitions to cover the kinds of liabilities covered by permanent indefinite budget authority.

Another discussion topic was legal liabilities when more than one federal entity is involved.

There is no apparent basis on which to establish guidance for assigning such a liability to a particular federal entity. One suggestion made was that an arbiter should be designated to assign such responsibility, perhaps the Department of Justice or the Office of Management and Budget. After discussion, it was decided that for the November meeting AAPC will develop a draft document that lays out the issues and provides guidance for assigning the arbiter role to some agency.

The Agenda Committee considered a request from the Railroad Retirement Board (RRB) regarding accounting for investments in Treasury securities, specifically in Treasury zero-coupon bonds (ZCBs). RRB's question

concerned the identification of appropriate guidance for investments in ZCBs and other Treasury securities not intended to be held to maturity. Concern was expressed by some AAPC members that AAPC's efforts in developing guidance on this question might lead to developing an accounting standard - which is not within AAPC's charter. Also, some suggested that OMB's Bulletin 97-01 (Form and Content) would contain the necessary guidance. It was decided that for the November AAPC meeting appropriate guidance would be developed, with critical input coming from OMB.

For more information on FASAB or AAPC, please access its website at [www.financet.gov/fed/fasab.htm](http://www.financet.gov/fed/fasab.htm) or contact the staff at (202) 512-7350. □

## **GAO Issues Revised Internal Control Standards**

**T**he U.S. General Accounting Office has issued its revised "Standards for Internal Control in the Federal Government,"

(GAO/AIMD-00-21.3.1). This publication updates and replaces the previous standards first issued in 1983 in accordance with the Federal Managers' Financial Integrity Act (FMFIA) of 1982, and generally referred to as the "Green Book." The new standards are effective for fiscal year 2000 and apply to reports required by FMFIA for that year.

The standards update was performed primarily in response to (1) the effect upon internal control as a result of rapid advances in information technology management, (2) a greater recognition of the role of human capital management as an important factor in internal control, and (3) the need to implement updates of the standards used in the private sector where useful in the federal government environment. The new standards also reflect the increased emphasis upon internal control inherent in important legislation such as the Chief Financial Officers Act of 1990, the Government Performance and Results Act of 1993, and the Federal Financial Management Improvement Act of 1996. These standards provide the overall framework for federal agencies to establish

and maintain internal control and to identify and address major performance and management challenges and areas at greatest risk for fraud, waste, abuse, and mismanagement. They will be useful to both program and financial managers in all federal departments and agencies in meeting their missions and objectives and in achieving financial accountability.

The format of the new standards, as well as the concepts expressed by them, are consistent with those contained in the document "Internal Control - Integrated Framework" published in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission. The GAO document defines internal control as an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- (1) effectiveness and efficiency of operations,
  - (2) reliability of financial reporting, and
  - (3) compliance with applicable laws and regulations.
- There are five broad standards that define the minimum level of quality acceptable for internal control in government and provide a basis against which agency internal control can be evaluated. These five standards cover the areas of (1) Control Environment, (2) Risk Assessment, (3) Control Activities, (4) Information and Communications, and (5) Monitoring.

In developing the new standards, GAO subjected them to a very lengthy, rigorous, and thorough process of public exposure, comment, and revision. Two separate exposure drafts were issued and many comments were received from the accounting, audit, and academic communities. The final version was coordinated with the Office of Management and Budget and officials of the Chief Financial Officers Council.

Copies of the standards are being widely distributed throughout the federal government. Individuals may obtain copies from GAO Distribution at Room 1100, 700 4th Street, NW, Washington, DC 20548, or by calling (202) 512-6000. The standards are also available on the Internet at GAO's homepage at [www.gao.gov](http://www.gao.gov) under the link to "Special Publications." □

# Creating Value Through World-class Financial Management

The technology and productivity gains that we see and experience in our daily lives have impacted the role of the finance organization. In the private sector, there was a time when most of the finance organization's resources were devoted to routine accounting and reporting activities. Associated costs were accepted as a price of doing business. But with national and international competitive pressures in a global economy, expectations have grown for finance organizations to produce accounting data and recurring reports, including annual financial statements, with fewer staff and less resources. The growing anticipation, indeed expectation, is that finance offices will be full-fledged participants in the war on cost and the constant effort to create more effective business operations.

In this context, a world-class finance organization can best be defined in terms of the business outcomes it produces—outcomes such as improved business analysis, innovative solutions to business problems, reduced operating costs, increased capability to perform ad-hoc analysis, and improved overall business performance. As federal agencies continue to improve their management and financial accountability, they must look well beyond the milestone of receiving an unqualified opinion on their financial statements toward the ultimate goal of achieving better business outcome.

To help federal agencies reap the full benefit of their finance organizations, the General Accounting Office (GAO) studied the financial management practices and improvement efforts of nine leading private and public sector finance organizations to identify the success factors, practices, and outcomes associated with world-class financial management. The results of this study are contained in GAO's exposure draft entitled "Executive Guide: Creating Value Through World-class Financial Management," GAO/AIMD-99-45. As shown in the following illustration, GAO's executive guide discusses the goals, success factors, and practices associated with building a world-class finance organization. Specifically, it describes 4 overall goals common to leading finance organizations along with the 11 practices that were critical for meeting these goals. In addition, the guide includes

Essential Elements of a Value-Creating, Customer-Focused Partner in Business Results

Success factors	•Leadership	•Organization	•Technology	•People
	•Culture	•Customer	•Process	
Goals	Make financial management an entitywide priority.	Redefine the role of finance.	Provide meaningful information to decision-makers.	Build a team that delivers results.
Practices	1. Build a foundation of control and accountability. 2. Provide clear strong executive leadership. 3. Use training to change the culture and engage line managers.	4. Assess the finance organization's current role in meeting mission objectives. 5. Maximize the efficiency of day-to-day accounting activities. 6. Organize finance to add value.	7. Develop systems that support the partnership between finance and operations. 8. Reengineer processes in conjunction with new technology. 9. Translate financial data into meaningful information.	10. Build a finance organization that attracts and retains talent. 11. Develop a finance team with the right mix of skills and competencies.

illustrative case study examples of each practice as well as strategies for federal agencies to consider when implementing the practices.

The six private sector and three state organizations studied found themselves in an environment similar to the one confronting federal agencies today—one in which they were called upon to improve financial management while simultaneously reducing costs. The role of many finance organizations historically had centered on oversight and control, focusing on their fiduciary responsibilities and paying less attention to increasing the effectiveness of operating divisions. However, over the past decade, dramatic changes in the business environment have driven finance organizations to reevaluate this role. Increased competition resulting from an emerging global market has put pressure on finance organizations to find new ways to reduce administrative costs, add value, and provide a competitive advantage. At the same time, advances in information technology have made it possible for the finance function to shift from a paper-driven, labor intensive, clerical role to a more consultative role as advisor, strategist, analyst, and business partner.

Similarly, in the federal sector, the push towards creating a smaller, more results oriented government has intensified the urgency to find ways to do more with less. To effectively evaluate and improve the value derived from government programs and spending, the Congress and other decisionmakers must have accurate and reliable financial information on program cost and performance. Further, they must be able to rely on federal finance organizations to provide analysis and insight about the financial implications of program decisions and the impact of those decisions on agency performance goals and objectives. The key practices presented in the GAO executive guide will provide a useful framework for agencies working toward improving their financial management and in turn the agency's overall effectiveness. Copies of this executive guide may be obtained from GAO's World Wide Web Home Page at: [www.gao.gov](http://www.gao.gov) or by calling (202) 512-6000. For further information about the executive guide please contact Diane Handley with the Accounting and Information Management Division of GAO at (404) 679-1986.□

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